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SFPP 2005 ANNUAL REPORT

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special forces

pension plan



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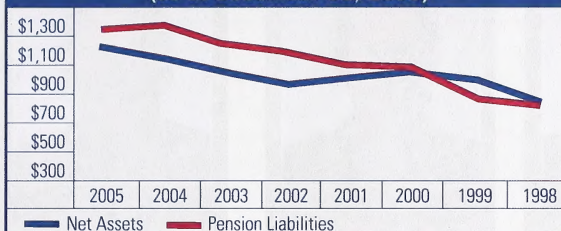
highlights

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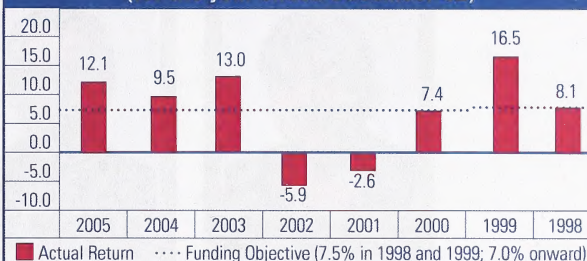
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highlights

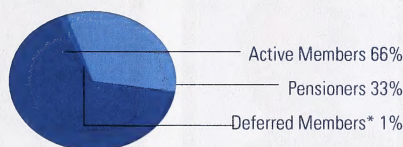
Net Assets vs. Pension Liabilities
(\$ millions)
(as at December 31, 2005)



Rates of Return (%)
(for the year ended December 31)



Membership Profile
(as at December 31, 2005)



* Members who are no longer employed by a Plan employer, have left contributions in the Plan and have yet to choose a pension option.

Total Members and Pensioners
(for the year ended December 31)

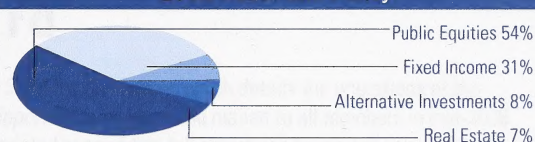


Summary of Net Assets Available for Benefits and Accrued Benefits
(as at December 31, 2005)

	2005	2004
	(\$ thousands)	
Net Assets Available for Benefits	1,290,990	1,156,652
Actuarial Value of Accrued Benefits		
Plan Fund	1,353,848	1,346,949
Indexing Fund	4,485	18,056
	1,358,333	1,365,005
Deficiency		
Plan Fund	(67,343)	(208,353)
Indexing Fund*	-	-
	\$(67,343)	\$(208,353)

* COLA has been granted with respect to service years 1999 and 2000. Please see www.sfpp.ca for more details.

2005 Asset Mix Policy



2005 special forces pension board

employee nominees



Colin Catonio (Chair),
Lethbridge Police Association



Denis Jubinville,
Edmonton Police Association



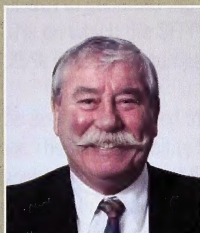
Alex Girvin,
Calgary Police Association



Linda Sinclair,
Crown Nominee

crown nominee

employer nominees



John Hamill,
City of Medicine Hat



Roger Rosychuk,
City of Edmonton



David Watson (Vice-Chair),
City of Calgary

board secretary



Liz Doughty,
APA Corporation

message from the board

The Special Forces Pension (SFP) Board is pleased to present the *2005 SFPP Annual Report*, which details the operations of the SFPP over the past year. A summary of this report (*2005 SFPP Annual Report Highlights*) will be mailed to all members in mid-2006. Continuing with the cost-containment measure introduced last year, a printed copy of this full report will be mailed only to those people who request it.

investment results

The SFPP Fund continued to enjoy strong investment performance during 2005 and ended the year with an annual return of 12.1% and assets with a total market value of \$1.3 billion. The annual returns for 2004 and 2003 were 9.5% and 13% respectively. The healthy investment gains in each of the past three years are very encouraging as we continue to rebuild from the general market decline in 2001 and 2002. We are also pleased to note that the SFPP long-term investment results, net of investment management fees, have generally exceeded the policy benchmark over the past eight years.

% Average Annual Compound Rates of Return (ending December 31, 2005)

	1 year	2 years	4 years	8 years
Total Fund (Actual)	12.1	10.8	6.9	7.0
Policy Benchmark	10.7	10.1	6.1	6.5

| POLICY BENCHMARK |

The SFPP's "policy benchmark" is determined by applying the market indices for each asset class to the Fund's asset mix. It indicates how well our investments are performing in relation to the markets in which the SFPP is invested, providing a measure of the value being added by the investment manager's decisions. In 2005, our annual return was 140 basis points higher than the total fund policy benchmark (one basis point equals 0.01%).

More information on the investment performance in 2005 is provided in this report. Historical investment results are available at www.sfpp.ca.

funding status

In accordance with the *Public Sector Pension Plans Act*, the SFP Board directs the actuary for SFPP to perform an actuarial valuation of the Plan at least once every three years. The results of the December 31, 2004 triennial valuation, which were available for review by the Board during 2005, indicated that the SFPP continues to have a funding shortfall. However, the actuary estimates that present contribution levels, together with the assumed long-term investment return of 7%, will be sufficient to amortize the unfunded liabilities on past service, as well as to meet the expected cost of benefits accruing on current service. Member and employer contribution rates have now remained stable at 10.01% and 11.11% respectively for the four years 2003 through 2006. The government continues to contribute 1.25% towards the pre-1992 unfunded liability.

investment policy

The SFP Board develops the *Statement of Investment Policies and Goals* (SIP&G) to generate the long-term risk-adjusted average annual return of 7.0% on which the SFPP contribution levels are based. Given the actuary's 3.25% inflation assumption, the target real rate of return is 3.75%.

The Board has started to diversify the SFPP Fund from its traditional asset mix. The Asset-Liability Study completed for SFPP in 2004 identified those asset allocations most likely to improve the Plan's returns in relation to its liabilities, and this tool guided the Board's transition to a more diversified portfolio in 2005. The revised policy moves 7.0% of the Fund's assets from the traditional investment classes to alternative investments such as timberland, private equities and private income.

| ALTERNATIVE INVESTMENTS |

Many large pension funds are investing in non-traditional vehicles as a means of diversifying and improving the risk-adjusted returns for the long term. Alternative investments include private equity, private debt, infrastructure projects, timber, and currency. Alternative investments are targeted based on expected increased returns and/or more stable returns. Alternative investments are often uncorrelated with each other and the public markets, therefore total fund diversification is enhanced.

In 2005, the federal government eliminated the 30% maximum on foreign investment content of registered plans (pensions and RRSPs). Given that Canadian markets represent approximately 2% of all markets worldwide, the Board welcomes this change as an opportunity for further diversification through broader investment opportunities beyond Canada's borders.

With these changes, the SFPP Fund is well-diversified. Assets are combined with differing risk/return profiles which enhance the opportunity for steady asset growth during varying economic conditions and cycles.

cost-of-living adjustments

In accordance with SFPP regulations, an annual cost-of-living adjustment (COLA) is applied automatically on the portion of an SFPP pension in respect of service rendered prior to 1992. For post-1991 service, the Board can award COLA on an ad-hoc basis, provided the Indexing Fund has sufficient assets to fully fund the increase.

The December 31, 2004 actuarial valuation showed an improvement in the funded status of the Indexing Fund. This allowed the Board to grant COLA to pensions in pay on post-1991 pensionable service earned up to December 31, 2000, effective January 1, 2006. Previously, COLA was granted only on pensionable service up to December 31, 1998.

COLA is based on 60% of the annual increase in the Alberta Consumer Price Index over the 12-month period ending October 31, 2005, compared to the same period ending October 31, 2004.

In 2006, the Board intends to review the indexing provisions for post-1991 service and invite SFPP members and employers to provide input on various options and associated costs.

benefit changes

Following the Board's recommendation to the Minister of Finance that disability pensions be removed from the SFPP, discussions continued during 2005 between the Board and Alberta Finance on the details of the proposed amendment regulation. Any change in disability provisions would not affect those members already receiving a disability pension.

plan governance

Governance remains a priority for the Board as it continues to strengthen its internal governance model, developing more complete documentation of Board policies and procedures, and actively monitoring the quality of administration and investment management services provided by Alberta Pensions Administration (APA) Corporation and Alberta Investment Management (AIM) respectively. The Board also established additional performance standards for service providers hired to provide professional advice to the Board. Some of these initiatives have resulted in lower Board-specific costs over the last two years.

In recognition of their responsibility to set guidelines for the Plan's investment and funding risk, Board members regularly participate in seminars and other professional development opportunities relating to investment issues and best practices.

In a broader context, the Government of Alberta is consulting with all public sector pension boards as part of an initiative to strengthen the overall governance of Alberta's public sector pension plans. One of the interim goals of the governance review is clear documentation of the accountabilities of all parties involved in the design, funding, investment and administration of Alberta's public sector pension plans. Our work with Alberta Finance will continue as a priority during 2006 as we define the Board's role in the new governance framework. A later phase of the governance review is expected to engage stakeholder input regarding representation on the Board and the appointment process.

board communications

The Board continues to promote awareness and understanding of the SFPP through newsletters, annual report highlights, and member presentations on the Plan and recent Board activities. Board publications such as annual reports, annual report highlights, newsletters, actuarial valuation reports, the investment policy, and investment results are available online at www.sfpp.ca.

The Board also supports APA Corporation's communications program, and was very pleased with the launch of the online interactive pension service, **mypensionplan**, in March 2005. This service allows all active and deferred members secure access to their SFPP pension file for information or pension estimates.

The Board encourages feedback from participating members and employers. We invite you to email our Board Secretary at sfpp.bd@gov.ab.ca with your questions or comments.

board changes

We wish to thank outgoing Board members Ulysses Currie, Linda Sinclair, Alex Girvin and John Hamill for their service to the Board. In March 2005, the Board welcomed new member Denis Jubinville. For 2006, we welcome new members Garth Sherwin, Graeme Ramsay and Alex Fowlie.

The Board would also like to thank the staff of AIM and APA Corporation for their investment management and administration services on behalf of the Plan.

administration report

APA Corporation provides administrative services to SFPP under an administrative services agreement with the administrator of the Plan, the Minister of Finance. The Corporation's core business is to provide benefit administration for pension plan members, pensioners and employers by paying benefits, collecting pension plan contributions, maintaining membership records and providing information to members, pensioners and employers. The Corporation also provides support services to the SFP Board.

technology mypensionplan

In 2005, the new online pension information service, **mypensionplan**, was made available to all SFPP members through the Plan Web site. Invitations to sign on to **mypensionplan** were sent to members along with their Member Annual Statements.

With **mypensionplan**, members can see and use their own pension information on file. This includes being able to see who is listed as a beneficiary(ies), review annual statements and calculate pension estimates. Members also have access to forms and their relevant employment history including service, salary and contributions. In 2005, 161 SFPP members signed on to **mypensionplan**.

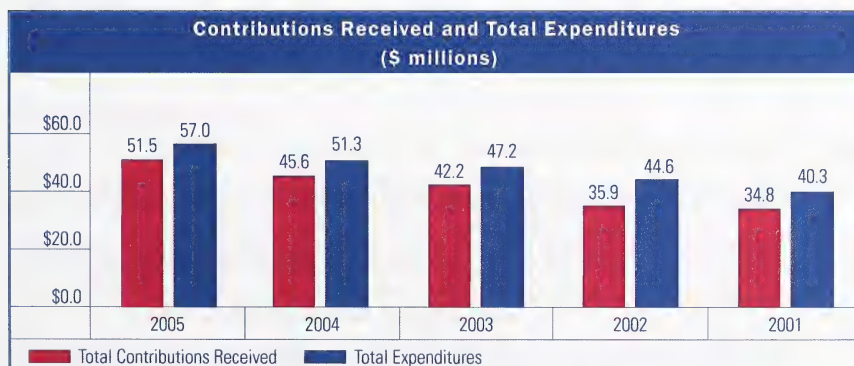
matrimonial property orders

Legislation passed in 2003 affected the way pensions are divided on marital breakdown. To accommodate this, a special project team completed the necessary changes to the pension administration system in 2005.

plan statistics

contributions and total expenditures

Total contributions to SFPP in 2005 were \$51.5 million. Payments from the Plan totalled \$57.0 million.



administration expenses

APA Corporation's costs are distributed amongst the public sector pension plans it serves. SFPP per member costs are based on a cost-share formula, which allocates APA Corporation operating costs according to a formula decided by the Minister of Finance and detailed in the Administrative Services Memorandum of Understanding between APA Corporation and the Board.

Although APA Corporation costs per member increased, the Board and Plan-specific per member costs decreased, resulting in a decrease of 1.4% in 2005 (totalling \$279 per member compared to \$283 per member in 2004). The breakdown of the 2005 administration costs is shown in the chart to the right.

Cost per Member		
	2005 Actual	2004 Actual
APA Corporation Costs	\$174	\$169
Board and Plan-specific Costs	\$57	\$67
Investment Management Costs*	\$48	\$47
Total	\$279	\$283

* Does not include pooled funds management and associated custodial fees, which have been included in the calculation of net investment income.

members and pensioners

The SFPP serves seven employers and a total of 5,069 active members, deferred members and pensioners.

Membership Snapshot (as at December 31)		
	2005	2004
Active Members	3,347	3,195
Deferred Members	75	60
Pensioners	1,647	1,545
Total	5,069	4,800
New Members	306	246
Members Retiring	101	86

communications

In 2005, APA Corporation communicated with SFPP members, pensioners and employers in the following manner:

306	Member Welcome Packages were sent to new members
6	Member Seminars were held in Edmonton, Calgary, Medicine Hat and Lethbridge
159	Members participated in Member Seminars
5,200	Copies of the <i>Summer 2005 Member and Pensioner Newsletter</i> and <i>2004 SFPP Annual Report Highlights</i> were printed and distributed together
3,079	Member Annual Statements were distributed
17	Editions of the electronic employer newsletter, <i>Pension e-news</i> , were produced

service performance

APA Corporation recognizes the importance of efficient service delivery and stakeholder satisfaction.

To understand stakeholder needs and determine the levels of satisfaction with its services, APA Corporation conducted a survey of stakeholders in the four main plans it administers. The table below shows overall satisfaction ratings of members, pensioners and employers in 2005.

2005 (all plans)	
Members	96%
Pensioners	95%
Employers	88%

Noteworthy are the responses from members and pensioners of SFPP, where 100% of SFPP members who responded are satisfied with APA Corporation services and 91% of SFPP pensioners who responded are satisfied with APA Corporation services (unaudited).

2005 was the final year for conducting annual surveys. APA Corporation has begun developing surveys to be sent at the same time the service is performed. The first two of these surveys, initiated in 2005, were for members who received Welcome Packages and Pension Options Packages. Surveys for other activities, such as Member Annual Statements, Benefit Options Packages and various estimates will be developed for 2006.

APA Corporation continues to meet or exceed the service standards established for the calculation of pension benefits, payouts and other member services. For more information on these service standards, please see APA Corporation's annual reports at www.apaco.ab.ca.

investment report

2005 year in review

Led by the energy sector, the Canadian stock market posted very strong returns this year. Oil prices increased to record levels during the year. As a result, the energy sector in the Standard and Poor's (S&P)/Toronto Stock Exchange (TSX) Index increased by 61.7% over the year. Overall, the S&P/TSX Index increased by 24.1% this year.

The Canadian dollar continued to strengthen against world currencies such as the euro, yen, pound and U.S. dollar. Federal surpluses, rising oil prices, robust growth forecasts and expectations of higher interest rates helped fuel the increase in value of the Canadian dollar. At December 31, 2005, one U.S. dollar purchased \$1.17 Canadian compared to \$1.20 at December 31, 2004. As a result, the value of the Plan's U.S. equity investments decreased when translated into Canadian dollars, resulting in lower investment income.

The S&P 500 Index, which tracks the performance of the top 500 American companies, increased by 4.9% over the year in U.S. dollars. In Canadian dollars, the increase in the S&P 500 Index was lower at 1.6%. Currency movements had a negative impact, pulling the U.S. returns down when translated into Canadian dollars.

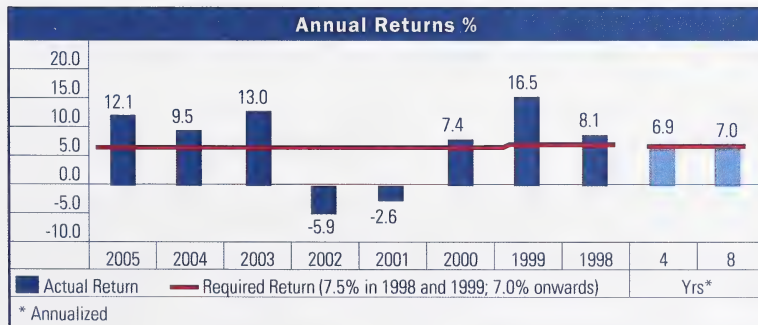
Overall, non-North American markets had healthy returns in 2005. The Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE Index) measures the performance of approximately 1,000 companies on 21 stock exchanges around the world. The index increased by 10.0% in Canadian dollars. Growth in demand from China continued to be strong during 2005, keeping commodity prices firm.

statement of investment policies and goals

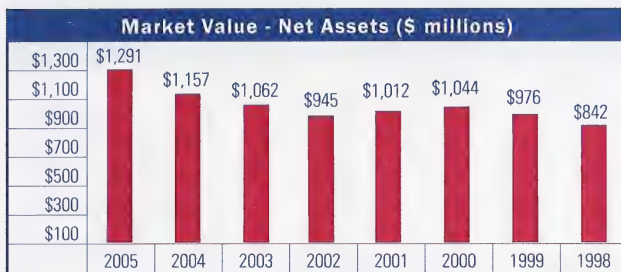
Plan assets are invested for the benefit of the Plan's beneficiaries in accordance with the Board's SIP&G. The SIP&G is reviewed and updated annually by the Board. It sets out the governing investment principles and guidelines, giving particular consideration to the Plan's provisions, characteristics and financial obligations and the Board's capital market expectations. It also defines the management structure and monitoring procedures.

long-term investment objective

The long-term investment expectation for the Plan is 3.75% above the annual rate of inflation (as measured by the Consumer Price Index). With long-term inflation currently assumed at 3.25%, the required long-term average annual return is therefore 7.0%.



Overall, the Plan earned a return of 12.1% in 2005 compared to 9.5% in 2004. The fair value of the Plan's net assets increased to \$1.291 billion, up \$134 million from \$1.157 billion the previous year.



board activities

The Board has put in place a number of measures to ensure proper governance of the Plan's investments. Along with reviewing the SIP&G annually, the Board also evaluates the investment management structure periodically and monitors the performance of the investment portfolio and compliance with policies on a quarterly basis. Board members seek to expand their knowledge of investment issues and trends through attendance at seminars, presentations from advisors and reviewing published industry research.

AIM, the investment operation of Alberta Finance, aids the Alberta Minister of Finance in the investment management of the Plan. AIM invests SFPP's assets for the benefit of its members, subject to legislation, and the SIP&G recommended by the Board.

The Board monitors the services provided to the Plan by AIM. Services provided and charges for those services (including performance standards) are set out in the Operating Protocol between AIM and the Board.

The Board has designed the Plan's investment policies with a focus on assessing the risk tolerance of the Plan and ways to manage the inherent volatility of the long-term asset mix. An independent investment consulting firm, James P. Marshall, assists the Board in its oversight of the investment performance of the Plan.

The Board conducts detailed asset-liability modeling studies to identify the best asset mix for the Plan taking into account the nature of the Plan's benefit structure, financial assets and the most up-to-date expectations for the financial markets. The Board then reviews Fund objectives, taking into consideration the studies' recommendations, and makes any appropriate changes to the SIP&G.

asset mix

The SFPP policy asset allocation for 2005 reduced investments in equities and fixed income securities and increased investments in real estate and alternative investments. For 2005, the asset mix attributed to public equities decreased to 54% from 57% the previous year. Fixed income securities decreased to 31% from 37% the previous year. The policy asset mix for real estate increased to 7% in 2005 from 5% the previous year, while alternative investments increased to 8% of total investments from 1% the previous year.

In 2005, the Plan's alternative investment portfolio included private income securities and timberland investments. Both private income and timberland investments are structured to provide high current income. They are relatively illiquid asset classes, and require time to build and exit investments. Private income investment opportunities could include infrastructure projects, bridge loans, and corporate finance arrangements. The timberland investment is a partnership interest in forestry land in British Columbia.

Alberta Finance, through AIM, manages the majority of SFPP's investments internally. However, in order to achieve greater diversification, access external expertise and specialized knowledge, as well as reduce potential complexity, some equity investments are managed externally by third-party investment managers selected and managed by AIM.

The following table shows the policy asset mix for the Plan compared to the actual policy asset mix at December 31, 2005 and the previous year.

	Long-term Target Policy Asset Mix		Actual Asset Mix	
	2005	2004	2005	2004
Fixed Income				
Short-term Investments	1.0%	1.0%	0.6%	0.8%
Bonds and Mortgages	14.0%	36.0%	29.6%	35.1%
Long Government Bonds	14.0%	-	2.5%	-
Real Return Bonds	2.0%	-	1.7%	-
Total Fixed Income	31.0%	37.0%	34.4%	35.9%
Equities				
Public Equities				
Canadian	18.0%	20.0%	19.6%	20.5%
United States	18.0%	18.0%	18.5%	18.3%
Non-North American	18.0%	19.0%	19.9%	20.2%
	54.0%	57.0%	58.0%	59.0%
Real Estate	7.0%	5.0%	6.7%	4.8%
Alternative Investments				
Private Income	3.0%	1.0%	0.5%	0.3%
Timberland	2.0%	-	0.4%	-
Private Equities	3.0%	-	-	-
	8.0%	1.0%	0.9%	0.3%
Total Equities	69.0%	63.0%	65.6%	64.1%

sfpp investment results in relation to benchmarks

The investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks, which have been established in the SIP&G. The Plan's investment policy benchmark is based on the long-term asset mix weightings of the portfolio invested in the following capital markets indexes:

Scotia Capital (SC) 91-Day T-Bill Index, SC Universe Bond Index, SC Long Term Government Bond Index, SC Real Return Bond Index, S&P/TSX Capped Composite Index, Nesbitt Burns Small Cap Index, S&P 500 Index, Russell 2500 Index, MSCI EAFE Index, and the Investment Property Database (IPD) Large Institutional All Property Index.

The performance of AIM is reviewed against the policy benchmark to measure the effectiveness of its decisions. Performance is reviewed quarterly, with an emphasis on four-year returns.

In 2005, the Plan's overall return from its investments of 12.1% outperformed its policy benchmark return of 10.7% by 140 basis points. Over four years, the Plan's investments returned 6.9%, 80 basis points better than the policy benchmark return of 6.1%. In an eight-year period, the Plan returned 7.0%, exceeding the policy benchmark return of 6.5% by 50 basis points.

The table below compares the actual returns from the Plan's investments against the benchmark index returns.

	Annual Returns				Annualized Returns				
	2005	2004	2003	2002	1 year	2 years	3 years	4 years	8 years
	%	%	%	%	%	%	%	%	%
Total Fund	12.1	9.5	13.0	-5.9	12.1	10.8	11.5	6.9	7.0
<i>Policy Return (1)</i>	10.7	9.4	12.5	-6.9	10.7	10.1	10.9	6.1	6.5
<i>Consumer Price Index</i>	2.2	2.1	2.0	3.9	2.2	2.1	2.1	2.5	2.2
Short-term Fixed Income	2.8	2.8	3.1	2.8	2.8	2.8	2.9	2.9	4.0
<i>SC 91-Day T-Bill Index</i>	2.6	2.3	2.9	2.5	2.6	2.4	2.6	2.6	3.7
Total Long-term Fixed Income	7.8	7.9	7.6	9.5	7.8	7.9	7.8	8.2	7.5
<i>Long-term Benchmark Index (2)</i>	7.2	7.1	6.7	8.7	7.2	7.2	7.0	7.4	7.0
Canadian Equities	24.5	15.3	26.3	-10.8	24.5	19.8	21.9	12.8	10.2
<i>Canadian Equity Index (3)</i>	23.7	14.5	28.7	-12.7	23.7	19.0	22.1	12.3	8.7
United States Equities	2.0	3.6	8.3	-22.4	2.0	2.8	4.6	-2.9	1.7
<i>U.S. Equity Index (4)</i>	2.2	4.4	7.4	-23.1	2.2	3.3	4.6	-3.1	2.6
Non-North American Equities	12.9	12.2	14.3	-15.9	12.9	12.5	13.1	5.0	5.7
<i>MSCI EAFE Index</i>	10.0	12.0	13.4	-16.8	10.0	11.0	11.8	3.8	3.6
Total Foreign Equity	7.6	7.9	11.3	-19.0	7.6	7.8	8.9	1.1	3.9
<i>Foreign Equity Index</i>	6.3	8.1	10.4	-19.9	6.3	7.2	8.3	0.4	3.3
Real Estate	29.9	10.6	10.0	6.2	29.9	19.9	16.5	13.8	11.3
<i>Real Estate Index (5)</i>	20.7	12.9	8.3	8.6	20.7	16.8	13.8	12.5	12.3
Alternative Investments	10.8	4.5	n/a	n/a	10.8	7.6	n/a	n/a	n/a
<i>Alternative Investments Index (6)</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) The 2004 policy benchmark return has been updated to include the published Institute of Canadian Real Estate Investment Managers (ICREIM)/IPD All Property Index for the fourth quarter of 2004. Additionally, AIM implemented a new performance measurement system effective July 1, 2004. The implementation introduced a minor change in the calculation methodology, which impacted reported historical returns. In the 2004 SFPP Annual Report, the estimated policy benchmark return was 9.2%.

(2) Combined SC Universe, SC Long All Government and SC Real Return Bond Index.

(3) Combined S&P/TSX Capped Composite Index and Nesbitt Burns Small Cap Index.

(4) Combined S&P 500 Index and Russell 2500 Index.

(5) Changed to IPD Large Institutional All Property Index from IPD All Property Index effective March 1, 2005. Prior to January 1, 2003, the Real Estate Index was the Russell Canadian Property Index (RCPI).

(6) Combined Canadian Consumer Price Index (CPI) plus 6.0% for private income and CPI plus 4.0% for timberland.

fixed income investments

The SC Universe Bond Index measures the performance of marketable Canadian bonds with terms to maturity of more than one year. Over the past year, the combined SC Universe Bond, Long Term Government and Real Return Bond Indexes increased by 7.2% while the short-term SC 91-Day T-Bill Index increased by 2.6%.

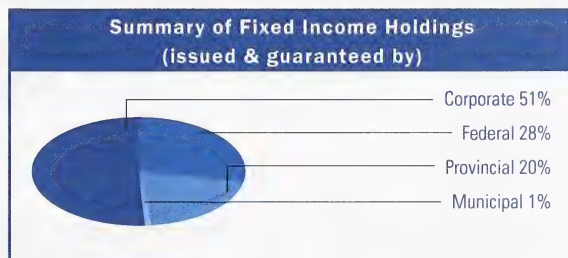
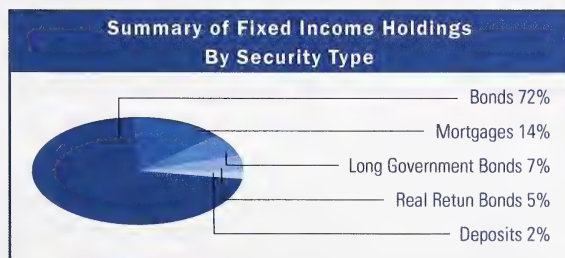
Over one year, the cash and short-term component returned 2.8% compared to the benchmark SC 91-Day T-Bill Index return of 2.6%. The Plan's actual rate of return over one year from long-term fixed income securities was 7.8%, 60 basis points better than the combined long-term fixed income benchmark. Over four years, the return from long-term securities was 8.2% or 80 basis points better than the benchmark of 7.4%.

Short-term Fixed Income	Actual Return %	Benchmark SC 91-Day T-Bill Index %	Net Value Added (basis points)*
One Year	2.8	2.6	20
Four Years (annualized)	2.9	2.6	30
Long-term Fixed Income	Actual Return %	Benchmark** %	Net Value Added (basis points)*
One Year	7.8	7.2	60
Four Years (annualized)	8.2	7.4	80

* One basis point equals 0.01%.

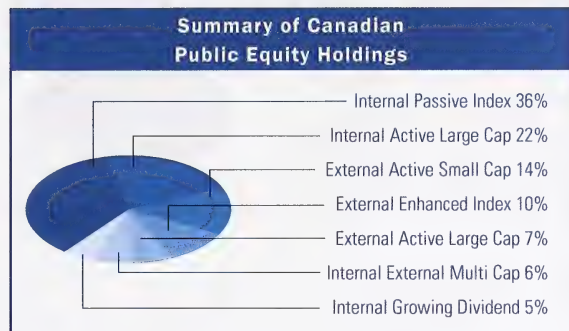
** For 2005, combined SC Universe, Long Government and Real Return Bond Indexes.

At December 31, 2005, investments in bonds, mortgages and cash totalled 34.4% of total investments or \$442 million compared to 35.9% or \$415 million the previous year.



canadian public equity investments

At December 31, 2005, Canadian public equities represented 19.6% of SFPP's total investments or \$253 million compared to 20.5% or \$237 million at the end of the previous year. Canadian equities are managed through several strategies including both passive index and active mandates. AIM internally manages the passive index strategy and a portion of the actively managed large cap strategy. External investment advisors actively manage the small cap strategy and the balance of the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core strategies).



Canadian Public Equity Holdings By Industry Sector - %		
	2005	2004
Financials	29	30
Energy	27	18
Materials	15	17
Industrials	8	9
Consumer discretionary	6	8
Telecommunications	5	4
Consumer staples	4	5
Information technology	4	6
Health care	1	2
Utilities	1	1
	100	100

The actual return from Canadian equity investments over the year was 24.5%, 80 basis points better than the benchmark Canadian equity index of 23.7%.

Canadian Public Equities	Actual Return %	Benchmark* %	Net Value Added (basis points)
One Year	24.5	23.7	80
Four Years (annualized)	12.8	12.3	50

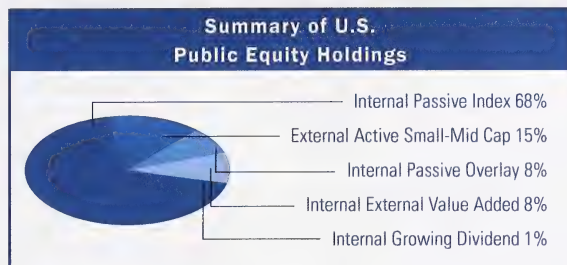
* For 2005, combined S&P/TSX Capped Composite Index and Nesbitt Burns Small Cap Index.

foreign equities

The foreign equity allocation is divided into U.S. and non-North American equity markets. The non-North American segment includes investments in Europe, Australasia and the Far East (EAFE) and emerging markets.

U.S. public equities

At December 31, 2005, U.S. public equities comprised 18.5% of the Plan's total investments or \$239 million compared to 18.3% or \$211 million the previous year. The U.S. equity portfolio is comprised of internally managed passive index strategies and externally managed active large cap and small-mid cap strategies.



U.S. Public Equity Holdings By Industry Sector - %		
	2005	2004
Financials	21	20
Information technology	15	15
Health care	13	12
Industrials	12	13
Consumer discretionary	11	15
Energy	9	7
Consumer staples	8	8
Materials	4	4
Utilities	4	3
Telecommunications	3	3
	100	100

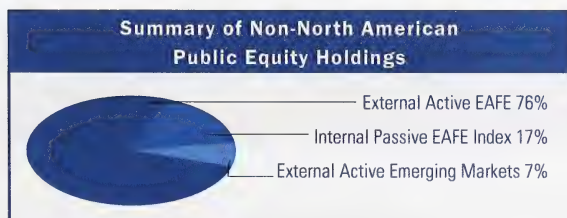
The Plan's actual return from U.S. equity investments in 2005 was 2.0%, 20 basis points less than the U.S. benchmark of 2.2% in Canadian dollars.

U.S. Public Equities	Actual Return %	Benchmark* %	Net Value Added (basis points)
One Year	2.0	2.2	(20)
Four Years (annualized)	(2.9)	(3.1)	20

* For 2005, combined S&P 500 and Russell 2500 Index.

non-north american public equities

Non-North American public equities comprised 19.9% or \$256 million of total Plan investments at December 31, 2005 compared to 20.2% or \$232 million the previous year. The Plan's non-North American equity component is comprised of an internally managed passive index strategy and externally managed active EAFE strategies and an actively managed emerging markets strategy.



Non-North American Public Equity Holdings By Industry Sector - %		
	2005	2004
Financials	28	28
Industrials	13	11
Consumer discretionary	12	14
Health care	8	6
Materials	8	8
Consumer staples	7	6
Energy	7	9
Information technology	7	5
Telecommunications	6	9
Utilities	4	4
	100	100

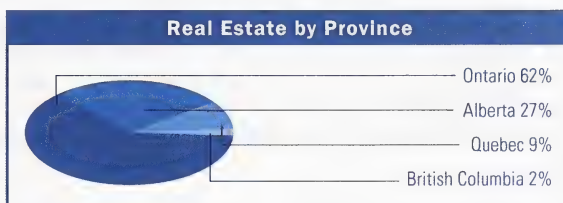
The Plan's actual return from non-North American equity investments in 2005 was 12.9%, 290 basis points better than the benchmark return MSCI EAFE Index of 10.0% in Canadian dollars.

Non-North American Public Equities	Actual Return %	Benchmark MSCI EAFE Index %	Net Value Added (basis points)
One Year	12.9	10.0	290
Four Years (annualized)	5.0	3.8	120

real estate

At December 31, 2005, the Plan's real estate portfolio comprised 6.7% or \$86 million of total investments compared to 4.8% or \$56 million the previous year. Investments are primarily in a mix of office, retail, industrial and residential properties in major Canadian urban areas including Toronto, Ottawa, Montreal, Calgary, Edmonton, and Vancouver. The focus is on quality, featuring strong locations and tenants.

Top Five Real Estate Holdings (as at December 31, 2005)		
Property	Location	Sector
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Square One Shopping Centre	Mississauga, Ontario	Retail
Place Ville Marie	Montreal, Quebec	Office
Scarborough Town Centre	Toronto, Ontario	Retail
Bow Valley Square	Calgary, Alberta	Office



The Plan's actual return from real estate investments in 2005 was 29.9%, 920 basis points better than the benchmark return of 20.7%.

Real Estate	Actual Return %	Benchmark IPD Large Institutional All Property Index %	Net Value Added (basis points)
One Year	29.9	20.7	920
Four Years (annualized)	13.8	12.5	130

alternative investments

The Plan's alternative investment portfolio consists of private income securities and timberland investments. Private income securities include infrastructure related projects that are structured to yield high current income. Timberland investments provide high current income and long investment horizons. At December 31, 2005, private income securities comprised 0.5% of total Plan investments or \$6.8 million compared to 0.3% or \$3.9 million at the end of the previous year. Timberland investments comprised 0.4% of total Plan investments or \$5.5 million.

In 2005, alternative investments returned 10.8%.



risk management system

AIM has implemented a market risk management system to model and measure the market risks associated with investments for SFPP. The system provides a comprehensive framework for measuring, monitoring, and managing risk to assist in the decisions regarding investment and risk policies. The intent of the risk system is to support decisions regarding investment and risk policies. The risk summary report will be distributed on a quarterly basis to SFPP, beginning with delivery of the fourth quarter 2005 report.

proxy voting

The Board has delegated to AIM the responsibility of voting proxies. AIM votes in the best interests of Plan beneficiaries and in accordance with established policies through a service provider, Institutional Shareholder Services (ISS). The annual policy update by ISS supports and applies recent developments in corporate governance oversight. AIM applies policies, which adhere to the principles of the Dey Report, while monitoring the opinions of peer organizations regarding contentious votes.¹ AIM's proxy voting policies support responsible management practices. AIM believes in responsible investing based on owning well-managed, legally operating companies in Canada and in countries where Canada has normal trade relationships. AIM operates with the principles of maximizing financial returns at prudent levels of risk.

During the year, to the extent practical, AIM monitored listed Canadian company votes it deemed to be contentious. Votes appearing to be contrary to AIM's guidelines were overridden, where appropriate.²

looking forward

Equity markets will likely be characterized by modest growth as continued downside risks present themselves to investors due in part to high concentrations in some markets. Fixed income markets are likely to continue trading within a relatively narrow range as present valuations provide little potential for large capital gains, but well-contained inflation expectations and the likelihood of an economic slowdown may limit the potential for material increases in yields. The potential remains that credit spreads will widen somewhat; however, corporate balance sheets are in excellent shape. This should help mitigate the risk of a market-wide increase in credit spreads.

¹ The Dey Report, written by a committee sponsored by the Toronto Stock Exchange, contains "best practice" guidelines for corporate governance. For further details, please see www.osc.gov.on.ca.

² AIM analysts apply due diligence for companies listed on the S&P/TSX Composite Index that receive a low Rotman Score from the Clarkson Centre for Business Ethics & Board Effectiveness. The Rotman score "is a transparent, objective, and adaptable rating system" that ranks "Boards of Directors by their potential to act in an effective way" based on past performance and practices.

Although the U.S. economy appears poised to begin 2006 strongly, it is expected that the year will be characterized by a decrease in the growth rate. There is growing evidence that the housing market may be cooling off, which would take away an important element of the consumer sector's activity of recent years – the monetization of home equity values to fund consumption. The actions of the Federal Reserve Board will also be closely watched, as there is a reasonable likelihood that they will continue the tightening campaign that began in June 2004 through March 2006, or longer. Given consumers' leverage to short interest rates, resulting from factors such as variable rate mortgages, continued interest rate hikes may curtail consumption growth. In addition, higher rates would likely limit profit growth of the corporate sector. Given the recent historically high corporate profit growth, a slowdown in the rate of profit growth would be expected.

The Canadian economy has a slightly different outlook than the U.S. Growth in Canada has been largely driven by commodity-related activity. Strong commodity prices have led to strong profit growth and, consequently, what some consider to be unhealthy concentrations in the Canadian equity market. Over 40% of the Canadian equity market's value was attributable to commodity-related sectors at the end of 2005, making Canadian equities vulnerable to a downturn if commodity prices soften. Further, commodity-related growth has made the Bank of Canada more aggressive in increasing interest rates despite a strong Canadian dollar. However, strength in the dollar has caused a slowdown in the export-dependent manufacturing sector in Canada. Going forward, the Bank of Canada will need to find the right balance between these competing factors.

In real estate, it is expected that the combination of capital availability and low interest rates will sustain demand for real estate in 2006, according to CB Richard Ellis. As vacancy levels drop in Canada's office markets, rental rates, especially for prime space, are expected to increase. Scarcity of suitable industrial real estate, particularly in Vancouver, Calgary and Toronto, led to a boom in industrial construction in 2005 and this is expected to continue in 2006. Despite these large supply additions, the national availability rate rose only marginally in 2005 and is projected to continue to increase slightly in 2006. Meanwhile, the national retail vacancy rate is expected to increase moderately in 2006 with rental rates remaining stable.

financial statements

management's responsibility for financial reporting

The Special Forces Pension Plan (Plan) financial statements and financial information in the 2005 Annual Report are the responsibility of the Minister of Finance. These responsibilities are undertaken on behalf of the Minister of Finance by:

- Alberta Investment Management, the investment operation of Alberta Finance, which is responsible only for the management of assets, subject to legislation and to the investment policies and goals approved by the Plan Board, and
- Alberta Pensions Administration (APA) Corporation, which is responsible for administration of the Plan under an Administrative Services Agreement with the Minister of Finance.

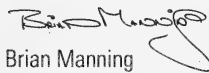
The financial statements and information in the annual report have been approved by the Plan Board.

The financial statements have been prepared by Alberta Finance in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2005 Annual Report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance, APA Corporation and Alberta Investment Management each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements.



Brian Manning
Deputy Minister of Finance



Brad Sonnenberg
Interim Chief Executive Officer
Alberta Pensions Administration Corporation

March 17, 2006

auditor's report



To the Minister of Finance and the Special Forces Pension Board

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Special Forces Pension Plan as at December 31, 2005, and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2005 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
March 17, 2006

special forces pension plan

statement of net assets available for benefits and accrued benefits

as at december 31, 2005

	2005	2004
	(\$ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	\$1,288,233	\$1,154,290
Accounts receivable (Note 6)	2,782	2,379
	<u>1,291,015</u>	<u>1,156,669</u>
Liabilities		
Accounts payable	25	17
Net assets available for benefits	<u>1,290,990</u>	<u>1,156,652</u>
Accrued benefits		
Actuarial value of accrued benefits (Note 7)		
Plan Fund	1,353,848	1,346,949
Indexing Fund	4,485	18,056
	<u>1,358,333</u>	<u>1,365,005</u>
Deficiency		
Plan Fund*	(67,343)	(208,353)
Indexing Fund	-	-
	<u>\$(67,343)</u>	<u>\$(208,353)</u>

* The deficiency of the Plan Fund is comprised of a pre-1992 deficiency of \$79,799,000 (2004 \$150,355,000) and a post-1991 surplus of \$12,456,000 (2004 deficiency of \$57,998,000).

See accompanying notes and schedules.

special forces pension plan

statement of changes in net assets available for benefits

for the year ended december 31, 2005

	2005			2004
	Plan Fund	Indexing Fund	Total	Total
	(\$ thousands)			
Increase in assets				
Net investment income (Note 8)	\$137,586	\$2,343	\$139,929	\$100,599
Contributions (Note 9)	48,105	3,346	51,451	45,559
	185,691	5,689	191,380	146,158
Decrease in assets				
Pension benefits	53,370	-	53,370	49,201
Refunds and transfers	2,299	-	2,299	811
Administration expenses (Note 10)	1,373	-	1,373	1,326
	57,042	-	57,042	51,338
Increase in net assets before transfer	128,649	5,689	134,338	94,820
Transfer from the Indexing Fund to the Plan Fund (Note 12)	19,260	(19,260)	-	-
Increase (decrease) in net assets after transfer	147,909	(13,571)	134,338	94,820
Net assets available for benefits at beginning of year	1,138,596	18,056	1,156,652	1,061,832
Net assets available for benefits at end of year	\$1,286,505	\$4,485	\$1,290,990	\$1,156,652

See accompanying notes and schedules.

special forces pension plan

statement of changes in accrued benefits

for the year ended december 31, 2005

	Pre-1992	2005 Post-1991	Total	2004 Total
	(\$ thousands)			
Increase in accrued benefits				
Interest accrued on benefits	\$52,858	\$36,585	\$89,443	\$88,773
Benefits earned	350	36,842	37,192	35,339
Cost-of-living indexing adjustments and interest	(3,209)	3,692	483	1,846
	49,999	77,119	127,118	125,958
Decrease in accrued benefits				
Benefits, transfers and interest	45,029	10,640	55,669	50,012
Net experience gains	31,517	38,946	70,463	-
Changes in actuarial assumptions	4,251	3,407	7,658	-
	80,797	52,993	133,790	50,012
Net (decrease) increase in accrued benefits	(30,798)	24,126	(6,672)	75,946
Accrued benefits at beginning of year	812,850	552,155	1,365,005	1,289,059
Accrued benefits at end of year	\$782,052	\$ 576,281	\$1,358,333	\$1,365,005

See accompanying notes and schedules.

special forces pension plan

statement of changes in deficiency for the year ended december 31, 2005

	Pre-1992	2005 Post-1991	Total	2004 Total
	(\$ thousands)			
(Deficiency) at beginning of year	\$(150,355)	\$(57,998)	\$(208,353)	\$(227,227)
Increase in net assets available for benefits	39,758	94,580	134,338	94,820
Net decrease (increase) in accrued benefits	30,798	(24,126)	6,672	(75,946)
(Deficiency) surplus at end of year (Note 13)	\$(79,799)	\$12,456	\$(67,343)	\$(208,353)

See accompanying notes and schedules.

special forces pension plan

notes to the financial statements

december 31, 2005

note 1 - summary description of the plan

The following description of the Special Forces Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 369/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for police officers employed by participating employers in Alberta. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0584375.

(b) Funding Policy

Plan Fund

Current service costs and the Plan's actuarial deficiency in respect of service after 1991 are funded by employer and employee contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2005 were unchanged at 9.61% of pensionable salary for employers and 8.51% for employees. The rates are reviewed at least once every three years by the Special Forces Pension Board (the Board) based on recommendations of the Plan's actuary.

The unfunded liability for service prior to December 31, 1991 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2005 were 1.25% of pensionable salary for the Province of Alberta, and 0.75% each for employers and employees.

Indexing Fund

Benefit payment increases for post-1991 cost-of-living adjustments (COLA) (see Note 1(i)) are funded by contributions to the Indexing Fund from employers and employees. The rates in effect at December 31, 2005 were 0.75% of pensionable salary each for employers and employees. Rates are reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

Subject to the *Employment Pension Plans Act*, the Indexing Fund may receive surpluses of the Plan Fund respecting service after 1991.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the five highest consecutive years, subject to the maximum benefit limit allowed under the federal *Income Tax Act*. The maximum service allowable under the Plan is 35 years. Members are entitled to a pension at retirement who have attained age 65, or have attained age 55 and have at least five years of service, or have at least 25 years of service. Pensions will be reduced at the age of 65 by 0.6% of the average Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) times years of pensionable service. The YMPE is averaged over the same five-year period as the average salary.

For a member who has a pension partner at retirement, the normal form of pension is a joint and last survivor, with 65% continuing to the pension partner if he or she survives the member.

For a member who does not have a pension partner at retirement, the normal form is a single life pension guaranteed for a five-year period.

note 1 - summary description of the plan (continued)

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Benefits are payable on the death of a member before retirement. If the member had at least five years of service and there is a pension partner or dependent minor child, benefits may take the form of a survivor pension. If the member has less than five years of service, the pension partner or beneficiary is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least five years of service and who are not immediately entitled to a pension may receive a refund of contributions and interest on service prior to 1992 and the commuted value of their pension for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of contributions and interest.

(g) Guarantee

Payment of all benefits arising from service before 1992 is guaranteed by the Province of Alberta.

(h) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments (COLA)

Pensions payable by the Plan Fund for pre-1992 service are increased each year on January 1 by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31 in the previous year. Post-1991 cost-of-living adjustments are funded by the Indexing Fund at rates determined by the Board.

note 2 - summary of significant accounting policies and reporting practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

note 2 - summary of significant accounting policies and reporting practices (continued)

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

The fair value of alternative investments including investments in partnership interests, private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance. This is done using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

note 2 - summary of significant accounting policies and reporting practices (continued)

(e) Valuation of Derivative Contracts (continued)

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the calculation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate. Uncertainty arises because:

- (i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation of the Plan's accrued benefits, and
- (ii) the estimated fair values of the Plan's private and alternative investments and real estate may differ significantly from the values that would have been used had a ready market existed for these investments.

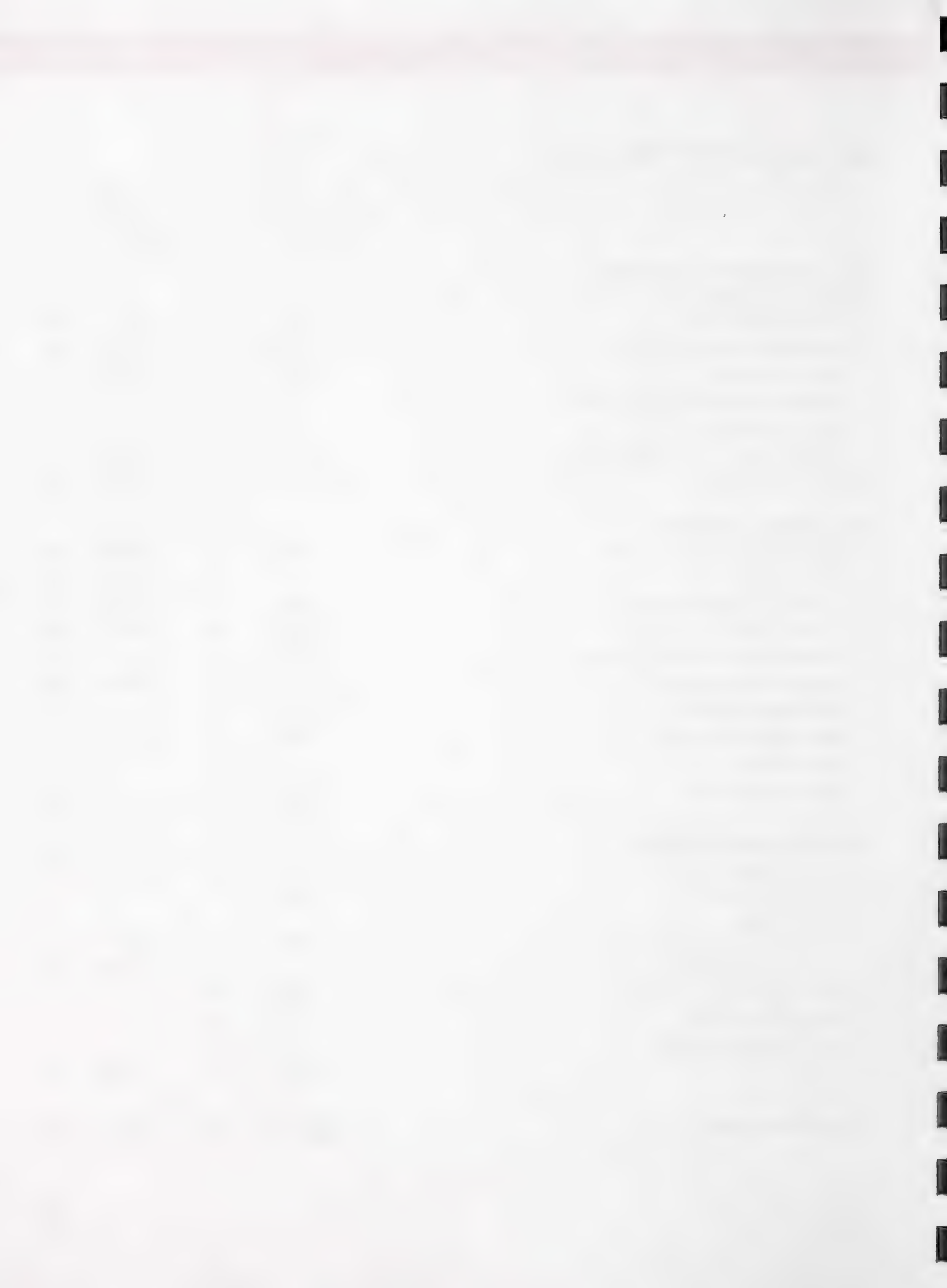
While best estimates have been used in the calculation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations are disclosed as net experience gains or losses in the statement of changes in accrued benefits in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

note 3 - investments (schedules a to e)

	2005		2004	
	Fair Value		Fair Value	
	(\$ thousands)	%	(\$ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	\$5,390	0.4	\$8,803	0.8
Canadian Dollar Public Bond Pool (b)	317,704	24.7	346,426	30.0
Private Mortgage Pool (c)	63,331	4.9	52,298	5.1
Canadian Long Term Government Bond Pool (b)	31,700	2.5	-	-
Real rate of return bonds (d)	22,468	1.7	-	-
External Managers Currency Alpha Pool (e)	1,888	0.2	-	-
Total fixed income securities	442,481	34.4	414,527	35.9
Canadian Equities (Schedule B)				
Domestic Passive Equity Pooled Fund (f)	95,880	7.4	76,780	6.6
External Managers				
Canadian Small Cap Equity Pool (g)	36,675	2.8	31,572	2.7
Canadian Large Cap Equity Pool (g)	20,208	1.6	95,328	8.3
Canadian Equity Enhanced Index Pool (h)	27,282	2.1	-	-
Canadian Pooled Equities Fund (i)	57,733	4.5	32,354	2.8
Canadian Multi-Cap Pool (j)	15,802	1.2	-	-
Growing Equity Income Pool (k)	12,705	1.0	-	-
Private Equity Pool	1,207	0.1	1,301	0.1
Overlay U.S. Equity Pool (o)	(14,183)	(1.1)	-	-
	253,309	19.6	237,335	20.5
United States Equities (Schedule C)				
U.S. Passive Equity Pooled Fund (l)	120,948	9.4	113,279	9.8
S&P 500 Pooled Index Fund (l)	41,692	3.2	11,465	1.0
External Managers				
U.S. Mid/Small Cap Equity Pool (m)	36,316	2.8	33,140	2.9
U.S. Large Cap Equity Pool	-	-	52,950	4.6
Portable Alpha U.S. Equity Pool (n)	18,764	1.5	-	-
Overlay U.S. Equity Pool (o)	17,717	1.4	-	-
Growing Equity Income Pool (k)	3,186	0.2	-	-
	238,623	18.5	210,834	18.3
Equities, balance forward	491,932	38.1	448,169	38.8



note 3 - investments (schedules a to e) (continued)

	2005		2004	
	Fair Value		Fair Value	
	(\$ thousands)	%	(\$ thousands)	%
Equities (brought forward)	491,932	38.1	448,169	38.8
Non-North American Equities (Schedule D)				
External Managers				
EAFE Active Equity Pool (p)	194,599	15.1	-	-
Emerging Markets Equity Pool (q)	16,166	1.3	12,370	1.1
EAFE Passive Equity Pool (r)	757	0.1	687	0.1
EAFE Core and Plus Equity Pools	-	-	174,223	15.1
EAFE Structured Equity Pooled Fund (r)	44,203	3.4	44,646	3.9
	255,725	19.9	231,926	20.2
Alternative Investments - Equities				
Private Income Pool (s)	6,846	0.5	3,875	0.3
Timberland Pool (t)	5,536	0.4	-	-
	12,382	0.9	3,875	0.3
Real Estate Equities (Schedule E)				
Private Real Estate Pool (u)	85,713	6.7	55,793	4.8
Total equities	845,752	65.6	739,763	64.1
Total investments	\$1,288,233	100.0	\$1,154,290	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Public Bond Pool (CDPB) and the Canadian Long Term Government Bond Pool (CLGB) are managed with the objectives of providing competitive returns comparable to the total returns of the Scotia Capital Universe Bond Index and the Scotia Capital Long Term All Government Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The CDPB portfolio is comprised of high-quality Canadian fixed income instruments and debt related derivatives while the CLGB portfolio invests only in high-quality fixed income instruments of the federal, provincial and municipal governments of Canada. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the Pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(d) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

note 3 - investments (schedules a to e) (continued)

(e) The External Managers Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts. Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(g) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over the long term while reducing return volatility through multiple manager investment styles and unique market capitalization focus.

(h) The External Managers Canadian Equity Enhanced Index Pool consists of a single portfolio of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.

(i) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(j) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is managed by an external manager with expertise in the Canadian small/mid cap markets. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period.

(k) The Growing Equity Income Pool is managed with the objective of providing returns higher than the return of S&P/TSX Custom Dividend Index over a four-year period. The Pool is intended to provide a steady stream of dividend income with potential for capital appreciation by investing in dividend-paying Canadian and U.S. companies that exhibit attractive valuation, growth and quality financial characteristics.

(l) The U.S. Passive Equity Pooled Fund and the S&P 500 Pooled Index Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index over a four-year period. The pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pools also invest in futures, swaps and other structured investments.

(m) The External Managers U.S. Mid/Small Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. The portfolios are actively managed by external managers with expertise in the U.S. mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the S&P Russell 2500 Index over a four-year period while reducing return volatility through multiple manager investment styles and unique market capitalization focus.

note 3 - investments (schedules a to e) (continued)

(n) The Portable Alpha U.S. Equity Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Externally managed absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the S&P 500 Index over the long term.

(o) The Overlay U.S. Equity Pool is managed with the objective of providing a quick, effective and efficient way to reduce exposure to Canadian equities and increase exposure to United States equities through synthetic instruments on a largely unfunded basis. The Pool is comprised of a long position through United States equity index futures contracts and a short position through Canadian equity index futures contract. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in Canadian and United States equity index futures contracts.

(p) The External Managers EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Each portfolio is actively managed by an external manager and has constraints on foreign currency management, country allocation, stock selection and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(q) The External Managers Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolios are actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International Emerging Markets Free (MSCI EMF) Index over a four-year period.

(r) The performance objective of the External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The Pooled Fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(s) The Private Income Pool is managed with the objective of providing investment return comparable to the Consumer Price Index plus 6% over the long term. The Pool invests in infrastructure related projects that are structured to yield high current income.

(t) The Timberland Pool's performance objective is to provide a rate of return higher than the Consumer Price Index plus 4% over the long term. The Pool invests in a partnership interest in forestry land in British Columbia.

(u) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through limited partnerships and intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

note 4 - investment risk management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Board has established a long-term benchmark policy asset mix of 31% fixed income instruments and 69% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

note 5 - derivative contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2005:

note 5 - derivative contracts (continued)

	2005					2004	
	Maturity			Notional Amount	Net	Notional Amount	Net
	Under 1 Year	1 to 3 Years	Over 3 Years		Fair Value (a)		Fair Value (a)
		%				(\$ thousands)	
Equity index swap contracts	79	21	-	\$279,467	\$6,416	\$204,961	\$8,294
Interest rate swap contracts	50	34	16	88,946	1,670	82,567	(3,325)
Cross-currency interest rate swap contracts	19	31	50	75,832	4,843	84,880	(4,913)
Forward foreign exchange contracts	100	-	-	71,504	(155)	27,781	111
Equity index futures contracts	100	-	-	66,479	951	4,264	484
Credit default swap contracts	15	16	69	30,561	287	22,967	95
Bond index swap contracts	100	-	-	16,492	403	6,753	131
				\$629,281	\$14,415	\$434,173	\$877

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

note 6 - accounts receivable

	2005	2004
	(\$ thousands)	
Contributions receivable		
Employers	\$1,236	\$1,086
Employees	1,135	1,001
Province of Alberta	224	202
	2,595	2,289
Receivable from Alberta Pensions Administration Corporation	137	90
Accrued investment income	50	-
	\$2,782	\$2,379

note 7 - accrued benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2004 by Hewitt and Associates and was then extrapolated to December 31, 2005. The 2004 valuation was completed after the financial statements of the Plan for 2004 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2004 are accounted for as net experience gains in 2005.

Actuarial valuations were determined using the projected benefit method prorated on service. The assumptions used in the valuations and extrapolations were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board approved these best estimates.

The major assumptions used were:

	December 31	
	2005	2004
	Extrapolation	Valuation
	%	%
Investment return	7.0	7.0
Inflation rate	3.25	3.25
Salary escalation rate*	3.75	3.75
Pension cost-of-living increase as a per cent of Alberta Consumer Price Index	60	60

* In addition to merit and promotion.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits, which shows the principal components of the change in the actuarial value of accrued benefits.

Based on the information provided above, the following table summarizes the fair value of net assets, accrued benefits, and the resulting deficiency of the Plan Fund as at December 31, 2005:

	2005			2004
	Pre-1992	Post-1991	Total	Total
	(\$ thousands)			
Plan Fund net assets available for benefits	\$702,253	\$584,252	\$1,286,505	\$1,138,596
Plan Fund accrued benefits	782,052	571,796	1,353,848	1,346,949
Plan Fund deficiency (Note 12)	\$(79,799)	\$12,456	\$(67,343)	\$(208,353)

As at December 31, 2005, the Indexing Fund held investments of \$4,485,000 (2004 \$18,056,000) with offsetting accrued benefits of the same amount.

note 7 - accrued benefits (continued)

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2005:

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency (\$ million)	Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	\$78	0.0% **
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	35	1.8%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	195	3.8%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2004 valuation was 16.2%.
 ** Contributions to the Indexing Fund are fixed and are not affected by assumed inflation.

note 8 - net investment income

Net investment income is comprised of the following:

	2005	2004
	(\$ thousands)	
Net realized and unrealized gains on investments, including those arising from derivative transactions	\$94,993	\$59,387
Interest income	32,661	30,446
Dividend income	10,523	9,319
Real estate operating income	3,523	2,996
Securities lending income	336	260
Pooled funds management and associated custodial fees	(2,107)	(1,809)
	\$139,929	\$100,599

note 8 - net investment income (continued)

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2005	2004
	(\$ thousands)	
Fixed income securities	\$31,861	\$30,397
Canadian equities	55,705	31,970
Foreign equities		
United States	3,853	7,322
Non-North American	29,881	25,309
Alternative investments - equities	692	118
Real estate equities	17,937	5,483
	\$139,929	\$100,599

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return
Time-weighted rates of return*			
Overall Plan	12.1%	6.9%	7.0%
Policy Benchmark**	10.7%	6.1%	6.5%

* The measure involves the calculation of the net return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

note 9 - contributions

	2005	2004
	(\$ thousands)	
Current and optional service		
Employers	\$22,214	\$19,594
Employees	20,557	18,089
Unfunded liability		
Employers	2,721	2,392
Employees	2,721	2,392
Province of Alberta	2,788	2,471
Transfers from other plans	450	621
	\$51,451	\$45,559



note 10 - administration expenses

	2005	2004
	(\$ thousands)	
General administration costs	\$1,042	\$1,009
Investment management costs	237	220
Actuarial fees	94	97
	\$1,373	\$1,326

Total administration expenses amounted to \$279 per member (2004 \$283 per member).

General administration costs including Plan board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Finance and do not include pooled funds management and associated custodial fees, which have been included in the calculation of net investment income (see Note 8).

note 11 - remuneration of board members

Remuneration paid to or on behalf of Board members, as approved by the Lieutenant Governor in Council, is as follows:

	Chair	Members
Remuneration rates effective March 1, 2005:		
Up to 4 hours	\$176	\$131
4 to 8 hours	300	217
Over 8 hours	478	340
	2005	2004
During 2005, the following amounts were paid:		
Remuneration		
Chair	\$2,730	\$7,640
Members (5)*	14,765	28,206
Travel expenses		
Chair	8,997	9,510
Members (5)	22,588	28,109

* Crown representative nominated by the Government of Alberta received no remuneration.



note 12 - transfer from the indexing fund to the plan fund

Transfer from the Indexing Fund to the Plan Fund is determined by the Plan's actuary to finance the payment of cost-of-living increases by the Plan Fund for pensionable service from 1999 to 2000 (see Note 1(i)).

note 13 - funding valuation and extrapolation

The Plan's deficiency is determined on the fair value basis for accounting purposes. For funding valuation and extrapolation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation and extrapolation purposes amounted to \$1,228 million at December 31, 2005 (2004 \$1,109 million).

In accordance with the *Public Sector Pension Plans Act*, the unfunded liability for post-1991 service as determined by an actuarial funding valuation at December 31, 2004 is financed by a special payment of 1.86% of pensionable salary shared equally between employees and employers effective January 1, 2005 and continuing for 15 years from the date of valuation until December 31, 2019. The special payment is included in the rates in effect at December 31, 2005 (see Note 1(b)).

note 14 - comparative figures

Comparative figures have been restated to be consistent with 2005 presentation.

note 15 - responsibility for financial statements

These financial statements were prepared by management and approved by the Board.



special forces pension plan

schedule of investments in fixed income securities

december 31, 2005

	Plan's Share	
	2005	2004
	(\$ thousands)	
Deposits and short-term securities	\$10,899	\$10,939
Fixed income securities (a)		
Public		
Government of Canada, direct and guaranteed	119,614	96,516
Provincial		
Alberta, direct and guaranteed	2,097	219
Other, direct and guaranteed	84,556	83,774
Municipal	1,940	4,541
Corporate	132,373	129,237
Private		
Corporate	86,700	87,899
	427,280	402,186
Receivable from sale of investments and accrued investment income	4,346	4,229
Liabilities for investment purchases	(44)	(2,827)
	4,302	1,402
	\$442,481	\$414,527

(a) Fixed income securities held as at December 31, 2005 had an average effective market yield of 4.38% per annum (2004 4.44% per annum). The following term structure of these securities as at December 31, 2005 was based on principal amount.

	2005	2004
	%	
Under 1 year	2	3
1 to 5 years	27	36
6 to 10 years	32	32
11 to 20 years	14	13
Over 20 years	25	16
	100	100



special forces pension plan

schedule of investments in canadian equities

december 31, 2005

	Plan's Share	
	2005	2004
	(\$ thousands)	
Deposits and short-term securities	\$2,000	\$2,296
Public equities (a) (b)		
Consumer discretionary	15,764	19,398
Consumer staples	9,406	11,980
Energy	64,093	41,215
Financials	70,176	68,523
Health care	2,733	4,696
Industrials	19,787	20,459
Information technology	10,864	13,759
Materials	35,496	39,931
Telecommunication services	10,813	9,679
Utilities	2,541	1,452
	241,673	231,092
Passive index	4,951	505
	246,624	231,597
Private Equity Pool	1,207	1,301
Receivable from sale of investments and accrued investment income	6,247	2,293
Liabilities for investment purchases	(2,769)	(152)
	3,478	2,141
	\$253,309	\$237,335

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling \$92,292,000 (2004 \$54,603,000) which were used as underlying securities to support the notional amount of Canadian equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

special forces pension plan**schedule of investments in united states equities**

december 31, 2005

	Plan's Share	
	2005	2004
	(\$ thousands)	
Deposits and short-term securities	\$5,561	\$6,246
Public equities (a) (b)		
Consumer discretionary	25,336	30,407
Consumer staples	19,646	16,964
Energy	20,763	14,566
Financials	49,420	40,759
Health care	30,934	25,494
Industrials	27,605	26,699
Information technology	34,553	29,933
Materials	8,723	8,385
Telecommunication services	5,967	5,373
Utilities	8,035	6,008
	230,982	204,588
Passive index	227	-
	231,209	204,588
Receivable from sale of investments and accrued investment income	5,683	1,476
Liabilities for investment purchases	(3,830)	(1,476)
	1,853	-
	\$238,623	\$210,834

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling \$168,881,000 (2004 \$112,473,000), which were used as underlying securities to support the notional amount of U.S. equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the S&P 500 Index.



special forces pension plan

schedule of investments in non-north american equities

december 31, 2005

	Plan's Share	
	2005	2004
	(\$ thousands)	
Deposits and short-term securities	\$1,202	\$4,084
Public equities (a) (b)		
Consumer discretionary	28,970	31,361
Consumer staples	16,794	13,109
Energy	18,739	19,091
Financials	68,562	61,455
Health care	19,534	13,733
Industrials	31,058	24,650
Information technology	16,450	10,966
Materials	19,363	17,920
Telecommunication services	15,683	19,340
Utilities	10,348	9,020
	245,501	220,645
Passive index	8,030	5,201
Receivable from sale of investments and accrued investment income	3,258	2,930
Liabilities for investment purchases	(2,266)	(934)
	992	1,996
	\$255,725	\$231,926

(a) The Plan's net investment in non-North American public equities includes the fair value of deposits and floating rate notes, totalling \$45,812,000 (2004 \$42,149,000), which were used as underlying securities to support the notional amount of non-North American equity index swaps contracts.

special forces pension plan

schedule of investments in non-north american equities (continued)

december 31, 2005

(b)The sector classification conforms to the Global Industry Classification Standard followed by Standard and Poor's. The following is a summary of the Plan's investment in non-North American public equities by country based on the geographic location of stock exchange on which stocks were purchased:

	Plan's Share	
	2005	2004
	(\$ thousands)	
Japan	\$55,087	\$39,699
United Kingdom	49,633	49,615
France	24,899	20,099
Switzerland	18,336	14,898
Germany	14,577	15,364
Netherlands	13,023	12,220
Australia	9,611	10,392
Italy	7,767	9,174
Spain	6,787	5,720
Korea	5,721	3,756
Other	40,060	39,708
	<u>\$245,501</u>	<u>\$220,645</u>

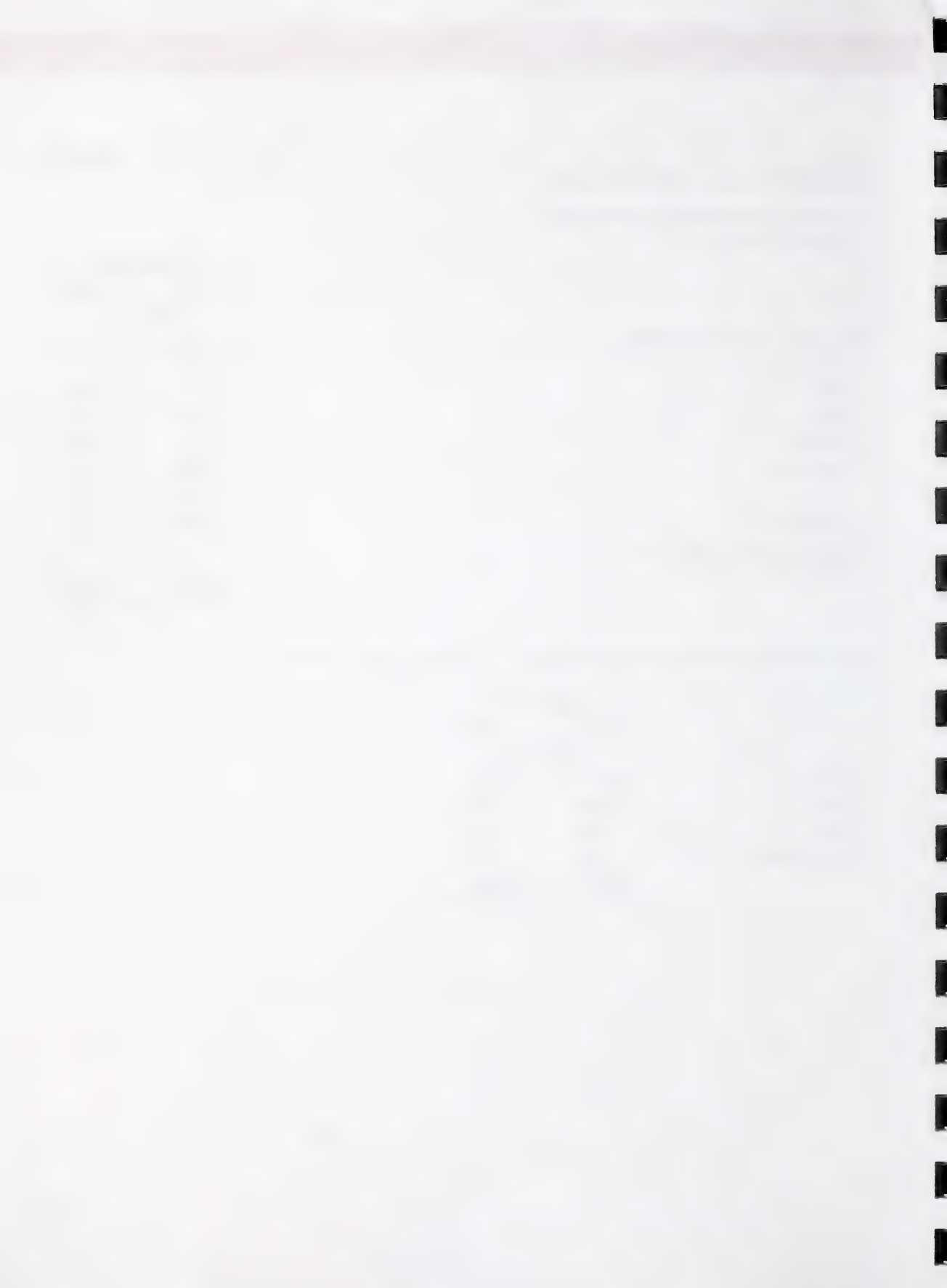
special forces pension plan**schedule of investments in real estate**

december 31, 2005

	Plan's Share	
	2005	2004
	(\$ thousands)	
Deposits and short-term securities	\$11	\$6
Real estate (a)		
Office	42,719	27,886
Retail	28,492	20,026
Industrial	8,517	4,398
Residential	3,909	2,703
	83,637	55,013
Passive index	1,886	695
Receivable from sale of investments and accrued investment income	179	79
	\$85,713	\$55,793

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2005	2004
	(\$ thousands)	
Ontario	\$51,878	\$35,663
Alberta	22,721	12,196
Quebec	7,464	6,196
British Columbia	1,574	958
	\$83,637	\$55,013



2006 directory

employee nominees

Colin Catonio (Vice-Chair), Lethbridge Police Association
Denis Jubinville, Edmonton Police Association
Graeme Ramsay, Calgary Police Association

employer nominees

David Watson (Chair), City of Calgary
Roger Rosychuk, City of Edmonton
Garth Sherwin, City of Lethbridge

crown nominee

Alex Fowlie

board secretary

Liz Doughty, Alberta Pensions Administration Corporation

plan administrator

Alberta Pensions Administration Corporation

fund management

Alberta Investment Management, Alberta Finance

investment consultant

James P. Marshall, a Hewitt Company

actuary

Hewitt Associates

auditor

Auditor General of Alberta

contact information

special forces pension plan

3rd Floor Park Plaza
10611-98 Avenue
Edmonton, AB T5K 2P7

Phone: (780) 427-5101
1-800-358-0840 (toll-free in Canada)
Fax: (780) 421-1652
Email: SFP Board: sfpp.bd@gov.ab.ca
SFPP Administration: sfpp.admin@gov.ab.ca
Web site: www.sfpp.ca

SFPP employers

Seven employers participate in the Special Forces Pension Plan. They are the Police Services of:



The City of Calgary



The City of Camrose



The City of Edmonton



The Town of Lacombe



The City of Lethbridge



The City of Medicine Hat



The Town of Taber

5799 employers

For a complete list of employers in the United States, see the following pages.

The City of Calgary



The City of Edmonton



The City of Regina



The Town of Saskatoon



The City of Vancouver



The City of Medicine Hat



The Town of Lethbridge



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